

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

DELTA NATURAL GAS COMPANY, INC.)	
APPLICATION FOR ADJUSTMENT OF)	CASE NO. 8256-I
RATES UNDER PURCHASED GAS)	
ADJUSTMENT CLAUSE)	

O R D E R

On December 1, 1981, this Commission issued its Order in Case No. 8256, approving certain adjustments in the rates of Delta Natural Gas Company, Inc., ("Delta") and providing under certain conditions for the further adjustments of rates when the wholesale cost of gas is increased, decreased or refunds are received.

On August 6, 1982, Delta notified the Commission that its wholesale cost of gas would be increased by three of its suppliers, and submitted with its notice certain information in compliance with its purchased gas adjustment clause on file with the Commission.

Effective September 1, 1982, Delta shall experience an increase in the cost of gas purchased from the Wiehoff Well ("Weihoff") in Clay County, Kentucky, in accordance with the escalator clause in the contract of May 11, 1977, a copy of which is on file with the Commission.

On August 2, 1982, Delta received from one of its suppliers, Columbia Gas Transmission Corporation ("Columbia") notification

of an increase in its wholesale rates effective September 1, 1982, as reflected in Columbia's Eighty-second Revised Tariff Sheet, No. 16.

On July 26, 1982, Delta received from one of its suppliers, Columbia LNG Corporation ("Columbia LNG") notification of a rate increase to be effective September 1, 1982.

Delta's increase from Columbia and Columbia LNG is another of those federally-mandated pass-throughs of higher gas prices in which upon the record this Commission has no discretion. Delta will not realize even one cent of profit but simply will turn over to its suppliers the increased amounts which it must collect from its consumers.

The estimated annual net increase in revenue as a result of Delta's filing of August 6, 1982, is \$1,067,090 or \$0.1875 per Mcf.

Delta in compliance with its tariff and previous Orders of this Commission, submitted with its notice certain information including verification of the rates and charges of its suppliers.

After reviewing the application filed in this case and being advised, the Commission is of the opinion and finds that:

(1) The Public Service Commission is being asked to authorize a pass-through of a price increase already approved by the Federal Energy Regulatory Commission ("FERC"). Failure to allow this increase to be passed through to its retail consumers on a timely basis would be unfair and unjust to Delta and would ultimately result in higher rates to its consumers. The Commission has (in writing) indicated its opposition to the procedures and

regulations used by FERC since 1975 to approve these supplier increases.

We are also actively presenting our views to FERC and to our Kentucky Congressional delegation concerning revisions to the Natural Gas Policy Act of 1978, which allows gas suppliers to raise their gas prices without regard to costs. Because of Natural Gas Policy Act formulas allowing producers to so raise their prices and because of the action of FERC in allowing such increases to pass through to the transmission company and through it to the distributing company, in this case Delta, this Commission has no real authority in the matter. Under federal law and actions, this Commission serves merely as the conduit for the final pass-through of the increased cost of gas to the consumers when, as here, the distributing utility makes no profit from the increased prices which it must pay for gas purchased from the transmission company.

(2) Delta received from one of its suppliers, Columbia notification of a rate increase effective September 1, 1982.

(3) On July 26, 1982, Delta received notification of a rate increase from its supplier Columbia LNG effective September 1, 1982.

(4) Effective September 1, 1982, Delta shall experience an increase in the cost of gas purchased from the Wiehoff Well in Clay County, Kentucky.

(5) The proposed rates will allow Delta to recover only the increased cost of wholesale gas and will not permit it to

make any profit in doing so. The magnitude of this filing exposes Delta to substantial under-recovery of its gas costs if the rates are not implemented in a timely manner.

(6) The Commission should waive its policy of requiring evidence of FERC acceptance in this case and allow Delta to place into effect, subject to refund, the rates as set out in Appendix A.

(7) Delta's adjustment in rates under the purchased gas adjustment provisions approved by the Commission in its Order in Case No. 8256 dated December 1, 1981, is fair, just and reasonable, in the public interest and should be effective with gas supplied on and after September 1, 1982, subject to refund.

IT IS THEREFORE ORDERED that the purchased gas adjustment sought by Delta be and hereby is authorized to be effective with gas supplied on and after September 1, 1982, subject to refund.

IT IS FURTHER ORDERED that within 30 days after the date of this Order, Delta shall file with this Commission its revised tariff sheets setting out the rates authorized herein.

IT IS FURTHER ORDERED that the information furnished this Commission by Delta on August 6, 1982, constitutes full compliance with the Commission's requirement and Order in Case No. 8256.

Done at Frankfort, Kentucky, this 2nd day of September, 1982.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:

Secretary

APPENDIX A

APPENDIX TO AN ORDER OF THE PUBLIC SERVICE COMMISSION IN CASE NO. 8256-I DATED SEPTEMBER 2, 1982

The following rates and charges are prescribed for the customers in the areas served by Delta Natural Gas Company, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the date of this Order.

RATE SCHEDULE G - GENERAL SERVICE

APPLICABILITY:

Applicable within all service areas served by Delta, namely: Owingsville, Sharpsburg, Bath County, Camargo, Montgomery County, Frenchburg, Menifee County, Kingston-Terrill, Madison County, Stanton, Clay City, Powell County, Garrard County, Berea, Salt Lick, Midland, Nicholasville, Wilmore, Jessamine County, Jeffersonville, Clearfield, Farmers, Rowan County, Middlesboro, Pineville, Bell County, Barbourville, Knox County, Williamsburg, Whitley County, London, Laurel County, and environs of each.

AVAILABILITY:

Available for general use by residential, commercial and industrial customers.

CHARACTER OF SERVICE:

Firm--with the reasonable limits of the company's capability to provide such service.

RATES:

General Service--

Monthly Customer Charge - \$2.75 per delivery point per month.

1 - 5,000 Mcf	\$5.0466
5,001 - 10,000 Mcf	4.7966
Over - 10,000 Mcf	4.5466

Interruptible--

1 - 5,000 Mcf	\$4.7966
5,001 - 10,000 Mcf	4.5466
Over - 10,000 Mcf	4.2966

PURCHASED GAS ADJUSTMENT

Delta Natural Gas Company

Applicable to all rate schedules

The base rate for purchased gas for the future application of this Purchased Gas Adjustment Clause is:

<u>Supplier</u>	<u>Rate/Mcf or DTH</u>
Columbia Gas Transmission Corporation	
Rate Schedule CDS	
Demand (DTH)	\$3.76
Commodity (DTH)	4.3126
Rate Schedule SGS (DTH)	4.5598
Columbia LNG Corporation	5.9603*
*Includes Transportation Charge of \$0.3503	
Tennessee Gas Pipeline Company	\$3.0952
Gas Rate (DTH)	0.7332
Graham-Michaelis Corporation	\$2.00
Flat Lick	\$0.35
Evans	0.94
Wiehoff	1.41
Hall-Martin	0.40
Goff	0.40
Weaver	1.85
Martin Energy Company	1.75
Laurel Valley	3.2708
Wiser Oil Company	2.6355
Al J. Keyser	1.50
L P Energy	2.00
Storage	0.8479